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Report to the Honorable Jesse Helms
U.S. Senate

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TRAVEL PRACTICES

Use of Airline Bonus Coupons and Privately Funded Travel by AID Employees

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United States
General Accounting Office
Washington, D.C. 20548

National Security and International
Affairs Division

B-220542

November 29, 1985

The Honorable Jesse Helms
United States Senate

Dear Senator Helms:

In response to your request of May 9, 1985, and subsequent discussions with your office, we reviewed the Agency for International Development's (AID) procedures for (1) controlling and using promotional materials, such as the bonus flight coupons that employees received from the airlines in conjunction with official travel and (2) avoiding conflict of interest in connection with official travel funded by private sources. The timeframe designated for review was April 1, 1983 to June 30, 1985. This report covers travel actions occurring during this period unless otherwise noted. Our findings, conclusions, and recommendations are summarized in this letter and details are presented in the appendixes.

Promotional Awards

In 1981, the major U.S. airlines instituted a marketing tool referred to as frequent-flyer programs. These programs entitle a person who travels regularly on a particular airline to obtain coupons or to accumulate points or miles for bonus travel. The more coupons, points, or miles the individual accumulates, the greater the bonus in terms of free or upgraded travel.

The Comptroller General on July 15, 1981, held that airline bonus flight promotional awards received by a federal employee traveling on official duty must be accounted for and may not be retained by the employee. These promotional awards belong to the U.S. government. Later Comptroller General decisions have confirmed the ruling in the 1981 decision. (See app. I.)

Nevertheless, there has been confusion and controversy surrounding the earning, ownership, and use of these airline promotional awards obtained by U.S. government employees while on official travel. Agencies have been slow in developing guidelines in this area and clearly communicating requirements to their employees. General Services Administration (GSA) regulations published in October 1983 codified existing government policies and required that airline promotional material received by an employee be accepted on behalf of the United States and turned in to an appropriate agency official. Further clarification of

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the GSA regulations was provided to the agencies by the Office of Government Ethics in November 1983. The Office urged that employees be made aware of the GSA regulations and warned against personal use of promotional awards received due to official travel.

On March 1, 1984, AID issued instructions informing employees of their responsibility to turn in to the Agency coupons and bonus points obtained from airlines in conjunction with official travel. AID also has established procedures for controlling these promotional materials turned in by employees and reissuing them to subsequent travelers.

During the designated review period from April 1, 1983 to June 30, 1985, we noted 25 instances where airline coupons were used in conjunction with official travel; 14 were used to pay for all or portions of official trips and 11 to upgrade airline travel accommodations for official trips. AID reported that as of July 31, 1985, the Agency had on hand coupons turned in by nine employees which were available for future use by AID travelers.

The airlines do not provide government agencies with information on promotional materials earned by employees performing official travel for the government. This makes it difficult, if not impossible, for the agencies to verify that all promotional materials earned by employees on official travel are turned in to their respective agencies. The process for controlling these materials is essentially an "honor system" dependent on the integrity of each traveler. AID, however, did identify four instances where airline bonus coupons earned from official travel were used by employees or their spouses for unofficial travel. AID was able to identify these trips because the employees made their travel arrangements for these personal trips through the same travel agent that arranges for official travel by Agency employees. The trips were made from August to December 1983. Information is not available at AID on the total value of the coupons used, but we noted that the trips were to locations such as Singapore, Hong Kong, Tokyo, and San Juan, Puerto Rico.

AID stated that the coupons in these cases were used before the issuance of the Comptroller General's decision in February 1984 and AID regulations in March 1984 which specifically prohibited their use for other than official travel. However, the Comptroller General's February 1984 decision applied not only to the future but also confirmed the July 1981 decision and earlier decisions requiring federal employees to account for any gift, gratuity, or benefit received from private sources incident to

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the performance of official duty. Accordingly, we are recommending that the AID Administrator collect the value of the airline coupons from the employees involved in these four known instances. (See app. I.)

Private Funding of Travel

There are two circumstances under which a federal employee may accept payment from private sources for travel expenses incurred in carrying out official duties: (1) an employee may accept payment of travel expenses from certain nonprofit, tax-exempt organizations and (2) an employee may accept payment of travel expenses from a non-federal source on the agency's behalf. Under both circumstances, payment of travel expenses should not be accepted if it would pose ethical problems, such as a conflict of interest.

From April 1, 1983 to May 31, 1985, records provided by AID show eight cases where private sources paid for official travel by AID employees. The eight trips were taken by six employees— four assistant administrators, an office director, and an environmental coordinator. Two employees each made two trips. Six trips were within the United States, one was to Kuwait City, Kuwait, and one was to Talloires, France. Information was not available at AID on the value of these trips.

The eight trips were paid for by seven organizations; one organization—Tufts University—paid for two trips, including the trip to France. The other six organizations were Wheaton College, Georgetown University, University of Minnesota, Yale University, Save the Children Federation, and Consortium for International Development. All the organizations, except Wheaton College, had at least one contract or grant with AID before, at the time, or after the travel by AID employees.

Although no specific procedures had been established to avoid conflict of interest ethical problems at the time of these trips, the AID General Counsel subsequently reviewed the trips and concluded there was no apparent conflict of interest. Our review of this travel generally supported the AID General Counsel. In one case, however, a trip was funded by a private organization at a time when that organization had a grant with AID and could have been expected to seek additional grants. Subsequently, the employee who made the trip participated in the award of a second grant to this organization. In this instance, while we do not believe there was an actual conflict of interest, a question could be raised as to the appearance of a conflict of interest. In the future, to avoid even the appearance of a conflict, AID should ensure that recently

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established procedures calling for General Counsel approval of privately funded travel are followed before these trips are made.

On August 5, 1985, the AID General Counsel issued specific guidance to assist employees in deciding whether to accept offers to pay transportation expenses or per diem from private sources. The guidance requires the employee to obtain prior written approval for such trips from the employee's management officer and a determination from the General Counsel that acceptance does not create an actual or apparent conflict of interest. In November 1985, AID established further requirements for accepting offers for payment of travel expenses by private sources.

On November 12, 1985, in response to our request, AID provided us with updated information on travel by Agency employees paid for by private sources. This information shows an increase in this type of travel. From June 1 through October 31, 1985, AID employees took 17 official trips funded by non-federal organizations as compared with 8 trips for the 2-year period from April 1983 to May 1985, as discussed earlier. Nine of these trips were made after the August 5, 1985, General Counsel guidance had been issued. The AID data showed that the General Counsel cleared four trips in advance by telephone, but the remaining five trips were not submitted to the General Counsel for clearance.

In reviewing private funding of travel, we noted an official trip taken by two employees who paid for some of their own travel expenses. Airline bonus coupons were used to pay for most transportation costs. The travelers paid the remainder of the transportation costs and all living expenses with their own funds. The travelers stated that they paid their own expenses because they planned to take some vacation time while on the trip and did not want to create the appearance of charging the government for expenses not incurred while conducting official business. One employee made the trip without a travel authorization because there was to be no cost to the government.

We believe that all privately funded travel by AID employees should conform to the Agency's newly established policy in this area. That policy states that acceptance of travel expenses from outside sources will be authorized only when the travel is determined to be in the best interests of the government. Moreover, the fact that over half the recent trips paid for by private organizations were not submitted to the General Counsel for clearance illustrates a further need to emphasize to employees—travelers as well as supervisors—the importance of avoiding any possible conflict of interest by obtaining General Counsel approval for

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trips. We believe the General Counsel should sign off on travel authorizations cleared for such trips rather than providing telephone clearances. A sign-off procedure would provide written evidence that the trip had been reviewed for possible conflict of interest problems.

Finally, AID employees should be cautioned always to obtain authorizations for official travel, even if there will be no cost to the Agency. According to AID's travel regulations, the authorization is the legal basis for performing official travel. Also, authorizations provide a systematic procedure, enabling the employees' supervisors to review the purposes of the proposed trips to ensure they will result in effective use of the employees' time and be in the best interests of the government. Employees should seek reimbursement from appropriated funds for allowable expenses incurred on the portions of trips spent on official business. We are recommending that the AID Administrator strengthen and improve these travel practices. (See app. II.)

As discussed with your office, we did not obtain formal agency comments on this report. We did, however, obtain oral comments from AID officials and they were considered in preparing this report.

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from the date it is issued. At that time, we will send copies to the Chairmen, Senate Committee on Foreign Relations, House Committee on Foreign Affairs, Senate Committee on Governmental Affairs, House Committee on Government Operations, House and Senate Committees on Appropriations; the Director, Office of Management and Budget; the Administrator, AID; and other interested parties.

Sincerely yours,

Frank C Conahan

Frank C. Conahan
Director

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Abbreviations

AID	Agency for International Development
GSA	General Services Administration
PPC	Bureau for Program and Policy Coordination

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Promotional Awards

The frequent-flyer programs offered by the major airlines beginning in 1981 entitle a person who travels regularly on a particular airline to earn coupons or to accumulate points or miles for bonus travel. The more a person travels the more coupons, points or miles the individual earns and the greater the bonus.

Participation in the frequent-flyer programs generally is not automatic and requires the traveler to submit an application. Some airlines charge a fee to enroll and some offer a free upgrade to first-class service on certain flights in addition to discounts on fares or bonus points. In recent years, the airlines have placed restrictions on the transferability of bonus points and miles.

In a July 1981 decision, the Comptroller General held that airline bonus flight promotional awards received by a federal employee traveling on official duty must be accounted for and not retained by the employee. Later Comptroller General decisions have confirmed this ruling, and government agencies have issued regulations recognizing these decisions. Nevertheless, there has been confusion and controversy surrounding the earning, ownership, and use of these airline promotional awards obtained by U.S. government employees while on official travel.

Comptroller General Decisions and Government Regulations

In a July 1981 decision (B-199656), the Comptroller General stated that

"it is a fundamental rule of law that a Federal employee is obligated to account for any gift, gratuity, or benefit received from private sources incident to the performance of official duty; and therefore an employee may not retain any half-fare coupon, 'bonus point', or similar item of value received from a commercial air carrier on the basis of the purchase of an airline ticket to be used for official travel."

The rationale for the Comptroller General's ruling is to prevent double reimbursement to the employee from the government and a private source and to avoid a conflict of interest. Two later Comptroller General decisions, one in February 1984 (B-210717) and one in January 1985 (B-215826), confirmed the ruling of the July 1981 decision.

On October 18, 1983, the General Services Administration (GSA) published regulations codifying existing government policies regarding travel promotional material. The regulations refer to the Comptroller General's July 1981 decision and provide that when an employee receives promotional material, he/she shall accept the material on

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behalf of the United States and relinquish it to an appropriate agency official.

By memorandum dated November 16, 1983, the Office of Government Ethics brought these GSA regulations to the attention of agency ethics officials. The memorandum stated that the most popular form of promotional benefits currently offered by the airlines are the "frequent flyer" bonus trips provided to travelers flying a certain number of miles with one airline. According to the memorandum, some government employees evidently were applying miles accrued from official travel toward personal bonus trips. Because of the confusion and controversy surrounding these benefits, the Government Ethics Office recommended that agency ethics officials ensure that employees were made aware of the GSA regulations and warned against making personal use of any travel promotional benefits received in connection with official travel.

On March 1, 1984, AID issued a General Notice to employees advising them about the July 1981 Comptroller General's decision and the October 1983 GSA regulations concerning promotional materials received in conjunction with official travel. The AID General Notice states that:

- Promotional materials providing for future free or reduced travel costs should be integrated into agency travel plans to increase the benefits to the government.
- Bonus points or trips which are not transferable should be integrated into agency plans for future official travel by the same individual.
- No employee may use promotional materials for personal benefit or for the benefit of a spouse or other family member regardless of whether or not such materials may be used by the government.
- Personal use of promotional materials received in connection with official government-funded travel could subject the individual to disciplinary action.

On April 10, 1984, AID established procedures to account for promotional materials obtained by employees in conjunction with official travel and turned in to the Agency for future use. The traveler is given a receipt for the relinquished materials, which are kept in custody by AID's Travel and Transportation Management Division until they are used for future travel. AID reimburses a traveler for any fee paid to enter a promotional program once the materials turned in by the traveler have been used by the Agency. The Comptroller General's February 1984 decision permits such reimbursement.

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AID's Use of Airline Promotional Awards

AID provided us with copies of airline tickets showing that, from April 1983 to June 1985, promotional awards were used to pay for all or portions of 14 official trips and to upgrade flight accommodations for 11 other official trips. The latter use of promotional materials is permitted by the Comptroller General's February 1984 decision.

With one exception, the promotional awards were made by Pan American Airlines. One award was made by Trans World Airlines. The airline tickets for the trips do not show the dollar value for the promotional awards. All trips, however, except one, involved international travel to Manila, Tokyo, Singapore, Rome, Paris, Mexico City, Grenada, Dakar and Los Angeles. One traveler made two trips.

As of July 31, 1985, AID's traffic manager had airline coupons turned in by nine Agency travelers available for future use by AID travelers on official business.

Unofficial Use of Airline Promotional Awards

AID provided us with information showing that in four cases airline bonus coupons earned from official travel were used improperly by employees and/or their spouses. The spouses accompanied the employees on the four trips. Two instances involved official travel and the airline coupons were used to pay for the spouses' tickets. The employees who were on official business charged their transportation costs to the government. The other two instances did not involve official travel and the coupons were used to pay for personal travel by both the employees and their spouses. The four trips were made during August to December 1983 to Singapore, Hong Kong, Tokyo, and San Juan. Information on the value of the trips is not available at AID.

AID was able to identify the four personal trips by Agency employees and their spouses because the travel arrangements were made through the same agent that arranges official travel by AID employees. Had the four employees used another travel agent or dealt directly with the airlines, AID would not have been able to obtain information about the use of bonus coupons.

We concluded that it was inappropriate to use the bonus coupons to pay for the four trips and the AID employees should reimburse the government for the value of the trips made using the coupons. The bonus coupons, tickets, and credits received by an employee as a result of trips paid for, in whole or in part, by appropriated funds are the property of the government and must be turned in to the appropriate agency.

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AID argued that the coupons in these cases were used before the issuance of the Comptroller General decision and government regulations specifically prohibiting their use for other than official travel. AID noted that these coupons were not transferable and that it was not until February 1984 that the Comptroller General ruled that non-transferable, as well as transferable bonuses, received by an employee belonged to the government and must be turned in to the appropriate agency official. In the February 1984 decision, the Comptroller General stated that a bonus coupon received by an employee while on official travel which is either non-transferable or carries an expiration date still is the property of the government and should not be used by the employee for personal use even if it appears that the government may have no use for the coupon.

We disagreed with AID's position. The February 1984 decision applied not only in the future but also confirmed the July 1981 and earlier decisions requiring federal employees to account for any gift, gratuity, or benefit received from private sources incident to the performance of official duty. We noted the January 1985 decision, in which it was held that bonus points earned prior to the issuance of our decisions may not be retained by the employee for personal use but are the property of the government.

We noted that this has been a confused area, as evidenced by the fact that several decisions have been issued on the use of bonus coupons by government employees. The AID cases seem to represent neither a situation unique to AID nor an intentional violation of law.

Agency Views

AID officials stated that compliance with existing regulations requiring employees to account for promotional materials received from airlines is voluntary, based on an "honor system." Moreover, this is a problem that is not unique to AID but is a governmentwide condition.

In commenting on our conclusion that the four AID employees who used airline bonus coupons for personal travel should reimburse the government, AID officials said that it was unfair to single out these employees. The officials stated that such use of bonus coupons by government employees for personal travel could be widespread because the agencies do not have effective systems for monitoring this practice.

Conclusions

AID has taken steps to improve controls over use of airline promotional awards accrued by employees in performing official travel. Instructions

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have been issued informing employees of their responsibility for turning in these awards and procedures are in place for controlling the use of awards, that are turned in. It is difficult, if not impossible, however, for AID to ensure that all promotional awards are turned in; the process for controlling promotional awards essentially is based on the "honor system" and its success depends on the integrity of each traveler. It is important, therefore, for AID to ensure that Agency employees know the rules about use of promotional awards earned on official travel.

The use of airline coupons or other bonuses earned from official travel for the personal travel of employees or for travel by spouses of employees represents an inappropriate use of such promotional materials.

Recommendation

We recommend that the AID Administrator recover the value of the trips made by four Agency employees using bonus airline coupons for unofficial travel or travel by their spouses.

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Private Funding of Travel

There are two circumstances under which a federal employee may accept payment from private sources for travel expenses incurred in carrying out official duties: (1) an employee may accept payment of travel expenses from certain nonprofit, tax-exempt organizations and (2) certain government agencies, including AID, may authorize an employee to accept payment of travel expenses from a non-federal source on the agency's behalf. Under both circumstances, payment of travel expenses should not be accepted if acceptance will pose conflict of interest issues.

The authority which allows an employee to accept payment of travel expenses from certain non-federal sources is contained in 5 U.S.C. 4111:

". . . payment of travel, subsistence and other expenses incident to attendance at meetings, may be made to and accepted by an employee, without regard to section 209 of title 18, if the . . . payments are made by an organization determined by the Secretary of the Treasury to be an organization described by section 501(c)(3) of title 26 which is exempt from taxation under section 501(a) of title 26."

The authority which allows employees to accept donations from non-federal sources on behalf of their agencies, such as payment of travel expenses, is provided in section 635(d) of the Foreign Assistance Act of 1961, as amended:

"The President may accept and use in furtherance of the purposes of this Act, money, funds, property and services of any kind made available by gift, devise, bequest, grant, or otherwise for such purposes."

AID designated the Bureau for Management, Office of Financial Management, as the office with authority to accept donations for the Agency.

Privately Funded Trips From April 1983 To May 1985

From April 1, 1983 through May 31, 1985, AID provided travel authorizations for eight official trips by AID employees for which private organizations paid the travel costs. The authorizations do not show under which of the two legal authorities acceptance of the travel expenses was made. The eight trips were taken by six employees—four assistant administrators, an office director, and an environmental coordinator. Two employees made two trips each. Six trips were to domestic locations and one trip was to Kuwait City, and one to Talloires, France. Information was not available at AID on the value of these trips.

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The eight trips were paid for by seven organizations; one organization—Tufts University—paid for two trips, including the trip to France. The other six organizations were Wheaton College, Georgetown University, University of Minnesota, Yale University, Save the Children Federation, and Consortium for International Development. Table II.1 shows trip details.

Table II.1. Privately Funded Trips by AID Employees

Position of Employee	Funding Organization	Period of Travel	Destination	Purpose
Assistant administrator	Wheaton College	Nov. 15-16, 1983	Norton, Mass.	Professional in residence
Assistant administrator	Georgetown University, National Center for Export-Import Studies	May 20-24, 1983	Kuwait City, Kuwait	Conference on U.S./Arab trade and economic relations
Assistant administrator	University of Minnesota, Hubert Humphrey Institute of Public Affairs	June 5-10, 1984	Minneapolis, Minn.	North-South Fellowship Program Summer Workshop, Fulbright Exchange
Assistant administrator	Yale University	Mar. 18-19, 1985	New Haven, Conn.	Symposium on International Relations
Office director	Consortium for International Development	May 2-3, 1983	Fort Collins, Colo.	To address Consortium members on women in development policy.
Office director	Save the Children Federation	Nov. 7, 1983	New York City, N.Y.	Discussion on women in development.
Environmental coordinator	Tufts University	May 12-18, 1984	Talloires, France	Seminar on economic development and environmental planning.
Environmental coordinator	Tufts University	May 2, 1985	Medford, Mass.	Panel discussion on environmental matters.

AID officials told us that at the time the eight trips were taken, the Agency had not determined specific responsibilities or established systematic procedures for reviewing travel to be funded by private sources to ensure there was no apparent or real conflict of interest. Attorneys in AID's Office of General Counsel stated that, had the traveler contacted them before making the trip, they would have answered questions or advised about the appropriateness of accepting the travel expenses. Any such discussions, if held, were not documented by the General Counsel. Agency officials stated, however, that the AID General Counsel made an after-the-fact review of these trips and concluded there was no apparent conflict of interest. The General Counsel considered whether the traveler had any affiliation with the organization funding the trip and whether the organization had contracts or grants with AID.

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We reviewed listed contracts and grants that the seven private organizations had with AID before, at the time, and after the travel by the Agency employees. Wheaton College had no contracts or grants. The other six organizations each had at least one contract or grant with AID. With one exception, however, the AID travelers did not appear to have a close relationship with the agency bureau or office that awarded the contract or grant. That is, the traveler was not an employee of the awarding bureau or office and did not appear to be in a position to influence the award. In one case, the traveler was an office director in the awarding bureau and had a role in the grant award, as described in the following paragraphs.

In May 1983, the Director, Office of Women in Development, Bureau for Program and Policy Coordination (PPC), visited Fort Collins, Colorado, to address the 11-member universities making up the Consortium for International Development on the implications of AID's women in development policy paper. The Consortium requested the visit and paid the travel expenses. The trip was approved by the Director of PPC's Executive management staff and the Deputy Assistant Administrator of PPC. An official of the Bureau for Management, Office of Financial Management, initialed the authorization, noting that the trip would be performed at no cost to AID.

At the time of the trip, AID had a grant with the Consortium for International Development to increase the capacity of institutions involved in international development work to better integrate women into developing agricultural economies. The grant, in the amount of $436,524, was effective from September 30, 1980, to December 1, 1983. The project office for the grant was PPC/Women in Development. The Director who made the trip did not hold that position and was not a staff member of that office when the grant was awarded to the Consortium. She joined the project office in September 1981 and assumed the position of Director in September 1982. She signed off on a "no cost" amendment to the first grant in September 1983.

On December 6, 1983, the Consortium for International Development submitted an unsolicited proposal to the project office for another grant to support women in development in current and future AID/Consortium projects. In April 1984, a project implementation order/technical services was initiated authorizing the procurement office to negotiate a grant with the Consortium to fund activities consistent with Agency policy on women in development. On April 3, 1984, the project officer and office director signed the order. On the same date, the office director

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gave the order to the Deputy Assistant Administrator recommending approval. The Deputy approved the order on April 17, 1984.

Also, on April 3, 1984, the Director PPC/Women in Development submitted two memorandums to the procurement officer in connection with the Consortium's unsolicited grant proposal. In one memorandum, the Director requested that the procurement officer award the grant to the Consortium without considering other sources. The Director had determined that the substance of the Consortium's proposal did not resemble any pending competitive solicitation and was sufficiently unique to warrant exception from competitive procurement procedures. The memorandum included the project officer's statement that

"I certify that neither I nor, to the best of my knowledge and belief, any other AID employee solicited the proposal from the offeror or had other prior contact with the offeror regarding the subject matter of the proposal other than to convey to the offeror an understanding of AID's mission and needs relative to the type of effort contemplated in the offer."

In the second memorandum, the Director stated that the nature of the unsolicited proposal was such that it was not feasible to compete because of proprietary information in the proposal. On May 1, 1984, the Director was appointed as Deputy Assistant Administrator for External Affairs at AID and is presently the acting assistant administrator for that bureau.

On May 31, 1984, AID awarded a grant for $235,702 to the Consortium to support the women in development program in current and future AID/Consortium projects. In early 1985, AID approved an amendment increasing the grant by $241,771, to a total of $477,473. The term of the grant is through May 31, 1986.

We discussed the acceptance of travel expenses from the Consortium and AID's subsequent award of a grant to that organization with the former Director PPC/Women in Development. The Director stated that she accepted the Consortium's invitation to address the Consortium because it provided an excellent opportunity to explain AID's women in development policy paper to all 11 members at one time. The Director wanted to be sure that the members understood AID's women in development policy so that they could coordinate their universities' implementation of AID policy in carrying out development assistance projects for the Agency. The Director supported the subsequent noncompetitive award

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to the Consortium because she believed that it was the logical organization for coordinating with member universities in implementing AID's women in development policy. The Director did not believe that the trip to explain AID policy or her participation in the award of a grant to assist in implementing this policy raised any conflict of interest issues.

We do not believe that it could be concluded that there was an actual conflict of interest or improper conduct on the Director's part. Our belief is based on the fact that the Women in Development Office is responsible for communicating and working with universities and consortia in integrating women into development activities. It seems to us that the Director was carrying out these responsibilities. From the sequence of events leading to award of the second grant, however, a question could be raised as to the appearance of a conflict of interest. In the future, to avoid even an appearance of conflict of interest, the Agency should ensure that recently established procedures calling for General Counsel approval of privately funded trips are followed before these trips are made.

Guidance to Employees for Avoiding Conflict of Interest

On May 1, 1984, the Office of Government Ethics issued guidance to agency ethics officials, general counsels, and inspectors general dealing with the acceptance by executive branch employees of travel expenses and related gifts from private sources. The guidance was issued because the Ethics Office had received numerous questions about this matter and training sessions had shown a strong need and desire for this information. The guidance summarized the legal authority for accepting payment for travel expenses and other gifts and suggested the following procedures, considered essential to protect the employee and the agency from improper acceptance of travel expenses.

- All offers of payment of official travel expenses must be approved in writing prior to acceptance.
- If possible, all offers should be approved by the same office within an agency to provide consistent interpretation of applicable statutes and regulations; larger agencies which cannot centralize such approval should have a controlled delegation system.
- All agency personnel should be made aware that such offers must be approved by the appropriate office; this is especially important for persons responsible for issuing travel orders.
- Travel orders should note specifically what expenses are being accepted by the traveling employee and under what authority; for instance, the travel orders might note that an airline ticket and hotel room are being

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provided to the employee by the host and accepted pursuant to the agency's gift acceptance authority and cite the appropriate statutory citation.

- The traveling official should never be placed in a position of approving the acceptance of his or her own travel expenses.
- If possible, a record of all travel expenses paid by private sources should be kept by the agency in a central file.

On August 5, 1985, the AID General Counsel issued specific guidance in the form of a general notice to help AID employees decide whether to accept offers from private sources to pay for transportation expenses and per diem. The guidance calls attention to the general rule that an employee may not personally accept payment for travel expenses from private sources in carrying out his or her official duties, except when payment of travel expenses to attend meetings comes from a donor that is a tax exempt organization under 26 U.S.C. 501(c)(3); AID may also authorize an employee to accept travel expenses on the Agency's behalf.

The guidance sets forth procedures to follow before offers to pay travel expenses are accepted—the employee must obtain prior written approval from the executive management officer and the General Counsel must determine that acceptance does not create an actual or apparent conflict of interest. These procedures apply regardless of whether the employee is personally accepting the travel expenses or is accepting the travel expenses on the Agency's behalf.

The August 1985 guidance provides further that donations of travel expenses from persons or organizations generally should not be accepted if acceptance would (1) reflect unfavorably on the ability of the employee to carry out official duties in a fair and objective manner, (2) compromise the honesty and integrity of government programs or of employees and their official actions or decisions, (3) be incompatible with the code of ethics for government service, or (4) create the appearance that the gift was offered with the expectation of obtaining preferential treatment. If the organization offering to pay an employee's travel expenses seeks grants from or does business with AID, especially if the staff of the organization deals directly with the employee involved, such offered reimbursements, in most cases, should not be accepted; for example:

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"An AID grant official is asked to speak at a University in his official capacity and the University offers to pay his travel expenses. The University is a 501(c)(3) corporation but it has one grant and is seeking others from the Agency."

On November 13, 1985, AID informed us that it was consolidating policy and procedures for acceptance of travel expenses from private sources into a single provision in its handbook to insure that such travel is handled uniformly and the regulations clearly understood. Until now, according to AID, procedures for privately funded "no cost" travel, as well as ethical and legal requirements associated with such travel, have appeared in various handbooks and notices.

The AID General Counsel's Office circulated these draft procedures on November 8, 1985, to senior management officers in the various bureaus and to representatives of the assistant administrators. Although the procedures are still in draft form, AID stated that they are currently effective.

The new procedures provide that, as a general rule, travel expenses incurred by an AID employee in carrying out official responsibilities should be paid from Agency appropriations. AID employees shall not solicit payment of travel expenses from non-federal sources; ordinarily, if the purpose of the travel warrants the expenditure of official time, it also warrants the expenditure of AID travel funds.

The new procedures incorporate requirements from the guidance issued by the General Counsel on August 5, 1985, including the requirement that the employee's executive management officer as well as the General Counsel must approve the proposed travel. Moreover, the new procedures add another requirement. An AID official, generally the employee's supervisor, must determine that an offer to pay travel expenses by a non-federal source is in the best interests of the government, not merely the individual employee. The authorizing official must (1) determine that the employee's time, while working on official government time and in official pay status, can most profitably be spent in making the trip and (2) recommend acceptance of the travel expenses to the employee's executive management officer.

Privately Funded Trips Since June 1985

On November 12, 1985, in response to our request, AID provided updated information on travel by its employees paid for by private sources since June 1985. The information shows an increase in travel funded by non-

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federal sources. AID furnished travel authorizations for 17 official trips funded by non-federal institutions from June through October 1985, 9 of them taken after the AID General Counsel's guidance was issued on August 5, 1985. The General Counsel cleared 4 of the 9 trips by telephone; the remaining 5 were not submitted to the General Counsel for approval.

Personal Funding of Travel

In reviewing private funding of travel, we noted an official trip taken by two employees who paid for some of their own travel expenses. The employees visited the AID missions in Barbados and Grenada from April 13 to 20, 1984, for meetings, briefings, and site visits. Airline bonus coupons were used to pay for transportation costs between Washington and Barbados. The travelers paid transportation costs between Barbados and Grenada and all living expenses with their own funds; they stated that they paid their own expenses because they planned to take some vacation time while on the trip and did not want to create any appearance of charging the government for expenses not incurred while conducting official business.

The employees did not submit travel vouchers because they did not claim reimbursement for any expenses from the government. One employee did not obtain a travel authorization for the trip because there was to be no cost to the government. AID's travel regulations, however, provide that the authorization is the legal basis for performing official travel.

Conclusions

We believe that all privately funded travel by AID employees should conform to the Agency's newly established policy stating that such travel will be authorized only when it is determined that the trip is in the best interests of the government.

To protect employees as well as authorizing officials— supervisors and executive management officers—AID must emphasize the importance of obtaining General Counsel approval before acceptance of payment of travel expenses from private sources. This is evidenced by the fact that only 4 of 9 trips were cleared since the August 1985 guidance requiring General Counsel approval for such trips was issued. We believe the General Counsel should sign off on travel authorizations for privately funded trips, to evidence that it has reviewed the proposed trip to assure there is no conflict of interest, rather than clearing the trips by telephone.

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The acceptance of travel expenses from the Consortium for International Development, a private organization, for a trip to address member universities by an AID official occurred before the Agency determined responsibilities and established procedures for avoiding potential conflicts of interest situations in these circumstances. We believe that the absence of specific guidance for the traveler as well as for approving officials was the reason for the acceptance of travel expenses from the Consortium, which had one grant with the traveler's office at the time of the trip and reasonably could have been expected to seek additional grants. Under present guidance issued to AID travelers and approving officials, we believe that an offer in similar circumstances to pay travel expenses should not be approved because of the appearance of a conflict of interest.

It is important in all cases, even when there is no cost to the Agency, that AID employees traveling on official business have travel authorizations. The authorizations provide a systematic procedure, enabling the employees' supervisors to review the purposes of the proposed trips to ensure they will result in effective use of the employees' time and be in the best interests of the government. Also, when personal travel is mixed with official travel, employees should keep records clearly showing time spent on official business and time spent on personal business. Travelers should claim reimbursement from appropriated funds for allowable expenses incurred on the portion of trips spent on government business.

Recommendations

We recommend that the AID Administrator

- emphasize to Agency employees and authorizing officials the importance of implementing newly established procedures for avoiding potential conflict of interest situations. In particular, employees and officials should be reminded that General Counsel approval must be obtained before offers by non-federal sources to pay travel expenses are accepted;
- instruct the General Counsel to sign off on travel authorizations where expenses will be paid by private sources as evidence of the conflict of interest review; and
- instruct Agency employees to obtain travel authorizations for all trips involving official business, even where there is no cost to AID. Employees should be instructed to keep records of time spent on official business when trips combine business and pleasure and to seek reimbursement

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from appropriated funds for expenses incurred while performing official business.

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Objectives, Scope, and Methodology

We made this review to assess AID's procedures for (1) controlling and using promotional materials, such as bonus flight coupons received by employees from airlines in conjunction with official travel, and (2) avoiding conflict of interest in connection with official travel funded by private sources.

Our review, which was conducted in accordance with generally accepted government audit standards, was performed from August to November 1985 at AID headquarters in Washington, D.C.

We reviewed Comptroller General decisions, Office of Government Ethics memorandums, GSA regulations, and AID instruction to employees dealing with accountability for promotional materials. We reviewed Office of Government Ethics and AID guidance to employees for avoiding conflict of interest in conjunction with official travel to be funded by private sources.

We reviewed copies of airline tickets and related documents concerning use of bonus coupons by AID employees from April 1, 1983 to June 30, 1985, and travel authorizations and related documents for travel by AID employees funded by non-federal sources from April 1, 1983 to May 31, 1985. We did not verify the completeness of travel documents provided by AID, but we did ask questions, request additional information, and interview Agency officials in connection with some of the trips.

In attempting to meet our late November 1985, target date for this report, we did not review in detail the information provided by AID on November 12, 1985, concerning trips made by employees since June that were funded by private sources.

We obtained oral comments from AID management officials on a draft of this report. These comments were considered in preparing the final report.

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